



**THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER**

TESTIMONY OF NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

COMMENTS ON NEW YORK CITY'S FY 2018
EXECUTIVE BUDGET
BEFORE THE
NEW YORK CITY COUNCIL FINANCE COMMITTEE

May 25, 2017

Good afternoon. Thank you, Chair Ferreras-Copeland and members of the Finance Committee, for the opportunity to testify on the Mayor's Fiscal Year 2018 Executive Budget.

Joining me today is my Deputy Comptroller for Budget, Preston Niblack.

I'm happy to share that today, the City's economic outlook remains strong, and that's good news for New Yorkers. We've hit the lowest unemployment rate since the government began recording it in 1976, now at 4.1%. And labor force participation is up to 61.3%, also the highest on record.

Wages are also finally starting to grow.

But as the national economy reaches its full employment level, here in New York we should prepare for growth to taper off. As of now, our forecast reflects that expectation, as well as a slowdown in job creation — but we are not forecasting a recession. But the situation in Washington, under the Trump Administration, is so uncertain, that the risk to the U.S. economy is higher than ever.

Today, my office released an analysis of President Trump's proposed federal budget that found New York City could lose \$850 million in critical funding for social services, education and housing in our City budget.

New York would lose 35% of our funding for the Children's Health Insurance Program, which covers healthcare for 128,000 city kids. And funding for the arts and humanities, which impacts museums and education services in all of our communities, would be completely eliminated.

This President is trying to shred our social safety net — from outright elimination of programs like Community Development Block Grants and the Home Energy Assistance Program, to cuts to workforce training and public housing. On top of that, the Trump Administration is proposing even deeper cuts to Medicaid funding that will add a major burden to our State and City budgets and strain our Health + Hospitals system to the breaking point.

We have to anticipate the impact of these significant cuts, and be prepared with a sound and responsible city budget.

Altogether, adjusted for prepayments and reserves, the Fiscal Year 2018 budget is an increase of \$1.5 billion over Fiscal Year 2017, or 1.7% more spending.

The surplus this year looks like it will equal or exceed last year's surplus of \$4 billion, which is good news. And as the Mayor has mentioned, reserves are high by historical standards. Nonetheless, I remain concerned that we are not adequately prepared for a potentially rocky road.

The fact is, our revenue growth is slowing.

Last year's \$4 billion surplus resulted from stronger-than-projected tax revenue growth of \$1.4 billion. But this year, tax revenues have come in above projections by just \$200 million.

Non-recurring resources make up 60% of this year's surplus. Agency efficiencies still make up only 7% of the combined Fiscal Years 2017 and 2018 Citywide Savings Plan — as I've said, that's just not enough. New spending priorities are going to require more saving to ensure success and longevity, so we have to start saving sooner rather than later.

You've heard about the Mayor's initiatives, and today I want to present my priorities for improving the lives of everyday New Yorkers.

First, we can support our immigrant population at the local level by reducing the cost burden of citizenship applications.

Right now, there are 670,000 New Yorkers who are eligible to apply for citizenship — but many are prohibited by high costs. Since 1989, the application fee has gone up 500% — climbing to \$725 per application. That's why I've called on the City to create a "Citizenship Fund" — a public/private partnership that would pay for applications, and help more New Yorkers become citizens. By offsetting the costs of applications, we could ease the path to citizenship for some 35,000 New Yorkers.

Second, we have to support our non-profit social service providers.

While President Trump comes after our safety net, we will only become more reliant on our non-profit social service providers. We must ensure they receive the resources they need to continue providing high quality services to our most vulnerable New Yorkers.

Recently, we analyzed contract budgets of more than 75 non-profits across a range of agency programs, including the Department of Youth and Community Development Beacon After-School Program, Department for the Aging Case Management, Administration for Children's Services preventive services, Department of Homeless Services Tier II shelter, Department of Health and Mental Hygiene and Human Resources Administration supportive housing programs.

What we found was an utter lack of consistency in overhead rates across contracts. And of the 105 contracts we looked at, only 10 had an indirect cost rate over 10%. At the end of the day, much of the burden of Trump's budget will fall on our non-profits, and we have to ensure they are financially strong enough to continue serving New Yorkers.

One way we can do that is by fixing this glaring contracting problem. I join you in urging the Administration to undertake a thorough review of human services contracting practices and enact a consistent, fair methodology for funding that will support our non-profit social service sector and its mission.

Lastly, I want to talk about another glaring problem that needs our attention, and that's procurement at the Department of Education.

Time and time again, my office finds that current departmental processes are inadequate. The facts are straightforward. Whether it is through an audit of DOE or a review of DOE's contracts, we find a lack of transparency and a lack of detail that is frightening when you are talking about billions of dollars earmarked for our children. We've found:

- Inadequate oversight and documentation of project and contract spending;
- A failure to ensure that payments for goods and services are appropriate and for work properly done;
- A lack of transparency in the bidding process;
- Use of limited or non-competitive procurement processes;
- And an inability to account for unspent funds.

The DOE claims to have a system of checks and balances, but if you dig into the details you will find a lack of independent review, a lack of accountability and whole lot of rubber stamps.

It is time for a paradigm shift.

There is no good reason that an agency representing nearly 30% of the entire City budget, with a contract budget of \$6.7 billion, should not be subject to the same level of scrutiny as all other City agencies.

Don't get me wrong – no one is more for Mayoral Control than me.

But that passion for control must be met with the highest expectations of transparency and accountability. So I am asking for your help to call hearings to get to the bottom of this — because our kids deserve a school system that functions at the absolute highest level of performance.

Thank you for the opportunity to testify and to work together to craft a responsible budget for all New Yorkers. I'm happy to answer your questions.